

Gordon & Rees LLP
101 West Broadway, Suite 2000
San Diego, CA 92101

Richard P. Sybert, Bar No. 80731
GORDON & REES LLP
101 W. Broadway, Suite 1600
San Diego, California 92101
tel (619) 696-6700 / fax (619) 696-7124
email rsybert@gordonrees.com

Douglas P. Smith, Bar No. 101367
GORDON & REES LLP
4675 MacArthur Court, Suite 800
Newport Beach, California 92660
tel (949) 255-6950 / fax (949) 474-2060
email dsmith@gordonrees.com

Attorneys for Defendant
HUNTINGTON BEACH CONFERENCE
AND VISITORS BUREAU

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA, SAN FRANCISCO DIVISION

FLOTSAM OF CALIFORNIA, INC.,
dba NOLAND'S ON THE WHARF and
SHORELINE SURF SHOP,

Plaintiff,

vs.

HUNTINGTON BEACH CONFERENCE
AND VISITORS BUREAU,

Defendant.

HUNTINGTON BEACH CONFERENCE
AND VISITORS BUREAU,

Counterclaimant,

vs.

FLOTSAM OF CALIFORNIA, INC., dba
NOLAND'S ON THE WHARF and
SHORELINE SURF SHOP,

Counterdefendant.

CASE NO. C 06-07028 MMC

Judge: Hon. Maxine M. Chesney

**(1) DEFENDANT'S ANSWER TO FIRST
AMENDED COMPLAINT;**

(2) COUNTERCLAIMS FOR:

**TRADEMARK INFRINGEMENT
(15 U.S.C. § 1114);**

**FALSE DESIGNATION OF ORIGIN
(15 U.S.C. § 1125(a));**

**TRADEMARK DILUTION
(15 U.S.C. § 1125(c));**

**COMMON LAW TRADEMARK
INFRINGEMENT;**

**STATE LAW UNFAIR COMPETITION
(CAL. B.&P.C. § 17200);**

**STATE LAW TRADEMARK
INFRINGEMENT
(CAL. B.&P.C. § § 14335, 14340);**

**(3) DEMAND FOR JURY TRIAL
[Fed.R.Civ.Pro. 38(b)].**

ANSWER

For its Answer to the First Amended Complaint of Plaintiff Flotsam of California, Inc., dba Noland's on the Wharf and Shoreline Surf Shop's ("Plaintiff" or "Flotsam"), Defendant Huntington Beach Conference and Visitors Bureau ("Bureau") states and alleges as follows:

1. The Bureau has insufficient knowledge or information to admit the allegations of Paragraph 1, and on that basis denies same.

2. Admit.

3. The Bureau admits that Flotsam's First Amended Complaint ("FAC") purports to be an action for declaratory relief and related claims, and that this Court has subject matter jurisdiction over the FAC. The Bureau denies the remaining allegations of Paragraph 3. Specifically without limitation, the Bureau denies that there is any legitimate "actual question of controversy" between the parties, but rather that Plaintiff is being used by third parties to maintain or manufacture a controversy for self-serving purposes. Specifically without limitation, the Bureau also denies that venue in this action is proper in the Northern District of California.

4. The Bureau admits that it is generally believed that surfing began in the Hawaiian Islands. The Bureau admits that surfing has grown in popularity as a largely Southern California phenomenon rather than "up and down the California coast." The Bureau denies that Jack O'Neill invented the wetsuit. The Bureau has insufficient knowledge or information to admit the remaining allegations of Paragraph 4, and on that basis denies same. Specifically without limitation, the Bureau denies that there is any reliable evidence or proof (or relevance) of the alleged 1885 incident, other than an unverified local news squib. The Bureau further specifically denies without limitation that "Santa Cruz has become nationally and internationally known as one of the premier surfing locations in the world;" rather, Santa Cruz is a somewhat dated seaside town that has no particular prominence in surfing culture, and none whatever in the Southern California beach culture connoted by SURF CITY USA®.

5. The Bureau admits that there exist places called "Surf City, New Jersey" and "Surf City, North Carolina" but that these are simply geographical descriptors and placenames without the secondary meaning that attaches to Huntington Beach as the true Surf City and

1 emblematic of the Southern California beach culture. The Bureau denies that “the real Surf City
2 is widely acknowledged to be Santa Cruz.” The Bureau has insufficient knowledge or
3 information to admit the remaining allegations of Paragraph 5, and on that basis denies same.

4 6. The Bureau denies any implication of Paragraph 6 that the use of “Surf City” in or
5 for Huntington Beach is recent or began in November 2004. The Bureau also denies any
6 implication of Paragraph 6 that SURF CITY USA® is not a valid trademark. The Bureau also
7 denies any implication of Paragraph 6 that its “efforts” to register SURF CITY USA® were not
8 successful, or that its “trademark rights” are “asserted” rather than valid. Other than as so
9 qualified, the Bureau admits the allegations of Paragraph 6.

10 7. The Bureau denies Plaintiff’s belittling choice of language that Dean Torrence is a
11 “lead pitch man.” The Bureau admits that Mr. Torrence has a contract with the Bureau to play an
12 appropriate role in media and client relations to help promote the SURF CITY USA® brand and
13 trademark. The Bureau admits that Mr. Torrence made the quoted comment at least three to four
14 years ago about “Surf City” as the City of Huntington Beach, California’s official nickname, and
15 prior to launch of the brand. The Bureau denies any implication of Paragraph 7 that there is
16 anything wrong or suspect in retention of a “Los Angeles-based” licensing agency. The Bureau
17 denies that “the earliest claimed date of first use” of the SURF CITY USA® trademark is
18 November 2004; rather, the proper formulation is that it is “at least as early as November 2004.”
19 The Bureau denies that it claims it “should be” crowned the true Surf City; rather, the Bureau
20 asserts that Huntington Beach, California is the “true Surf City” and emblematic of the Southern
21 California beach culture. Other than as so qualified, the Bureau admits the remaining allegations
22 of Paragraph 7.

23 8. The Bureau admits that it claims exclusive ownership of the word mark SURF
24 CITY USA® for a variety of goods and services, and has embarked on an enforcement campaign
25 with respect to such mark. The Bureau admits that it has obtained seven (7) trademark
26 registrations for the SURF CITY USA® mark from the U.S. Patent and Trademark Office. The
27 Bureau admits that such marks are on the Supplemental Register. The remaining allegations of
28 Paragraph 8 are legal contentions, arguments or assertions rather than fact allegations, and

1 therefore do not require an answer by Defendant. To the extent the remaining allegations of
2 Paragraph 8 misstate or mischaracterize the law, the Bureau denies same.

3 9. Admit.

4 10. The Bureau admits that it does not own all trademark application and registrations
5 before the Patent and Trademark Office incorporating the phrase SURF CITY. The Bureau
6 admits that Mattel appears to own a mark on the Principal Register for SURF CITY for use in
7 conjunction with dolls, doll clothing and doll accessories. The Bureau admits that Flotsam
8 claims to have attached “true and correct” copies of the Patent and Trademark Office’s Online
9 Records as Exhibits B and C, as of the times stated thereon, which appears to be October 11,
10 2006. The Bureau has insufficient knowledge or information to admit the remaining allegations
11 of Paragraph 10, and on that basis denies same.

12 11. The Bureau admits that it did not register the SURF CITY USA® mark on the
13 Principal Register. The Bureau denies the remaining allegations of Paragraph 11.

14 12. The Bureau admits that at a time prior to the filing of the Complaint herein,
15 Flotsam began using the mark SURF CITY USA® along with the words SANTA CRUZ
16 CALIFORNIA on T-shirts it sells in stores located in Santa Cruz. The Bureau admits that the
17 graphic is a representative sample of Plaintiff’s T-shirt with the infringing mark. The Bureau
18 denies that the proper or intended reading of that graphic is SURF CITY SANTA CRUZ
19 CALIFORNIA USA; rather, the frame encircling the graphic is meant to be and is read, “Surf
20 City USA” with “Santa Cruz California” within. The Bureau has insufficient knowledge or
21 information to admit the remaining allegations of Paragraph 12 and on that basis denies same.

22 13. The Bureau admits that Flotsam sold the infringing T-shirts from its stores located
23 in Santa Cruz. The Bureau admits that it sent to Flotsam a letter which claimed exclusive
24 ownership of the SURF CITY USA® mark, and requested that Plaintiff cease further sale of the
25 infringing T-shirts or other use of the mark. The Bureau has insufficient knowledge or
26 information to admit the remaining allegations of Paragraph 13, and on that basis denies same.

27 14. The Bureau admits that Flotsam has accurately quoted the letter dated September
28 6, 2006. The Bureau admits that it will enforce its rights in the SURF CITY USA® mark. The

1 Bureau denies the remaining allegations of Paragraph 14, which constitute argument rather than
2 factual allegations, and therefore require no response from the Bureau.

3 15. The Bureau admits that it requested that Flotsam stop selling its remaining
4 inventory of the infringing T-shirts by September 29, 2006. The Bureau has insufficient
5 knowledge or information to admit the remaining allegations of Paragraph 15, and on that basis
6 denies same.

7 16. Without waiving objections to admissibility under, *inter alia*, Federal Rule of
8 Evidence 408, the Bureau admits that at Flotsam's request it sent to Flotsam a form of Settlement
9 Agreement and Release, and requested Flotsam acknowledge that the Bureau has the exclusive
10 right to use the SURF CITY USA® mark in the United States, and requested that Flotsam not
11 contest the validity or enforceability of such mark. The Bureau denies the remaining allegations
12 of Paragraph 16.

13 17. Without waiving objections to admissibility under, *inter alia*, Federal Rule of
14 Evidence 408, the Bureau admits that it requested Flotsam acknowledge the Bureau's exclusive
15 right to the SURF CITY USA® mark. The Bureau also admits that Flotsam reneged, and
16 refused to enter into a settlement agreement. The Bureau denies the remaining allegations of
17 Paragraph 17. Specifically without limitation, the Bureau denies that "Plaintiff was left with no
18 choice but to proceed with the present action."

19 18. The Bureau admits that in asserting its rights in and to the SURF CITY USA®
20 trademark, it is relying in part on federal trademark registration issued on the Supplemental
21 Register. The remaining allegations of Paragraph 18 are legal contentions, arguments or
22 assertions rather than fact allegations, and therefore do not require an answer by Defendant. To
23 the extent the remaining allegations of Paragraph 18 misstate or mischaracterize the law, the
24 Bureau denies same.

25 19. Deny.

26 20. Deny.

27 21. Deny.

28 22. Deny.

Gordon & Rees LLP
101 West Broadway, Suite 2000
San Diego, CA 92101

23. The Bureau admits that it supported the filing of its trademark registration applications by filing statutorily required declarations under penalty of perjury. The Bureau also admits that Don Carnegie's declaration is accurately quoted in this paragraph. The Bureau denies the remaining allegations of Paragraph 23.

24. The Bureau admits that it supported the filing of its trademark registrations by filing statutorily required Statements of Use, attesting that it was using the SURF CITY USA® mark in commerce on goods identified in the relevant applications. The Bureau admits that the Statements of Use were supported by a declaration signed under penalty of perjury. The Bureau denies the remaining allegations of Paragraph 24.

25. Deny.

26. The Bureau admits that Flotsam has no right to sell goods bearing any mark which infringes The Bureau's rights in the SURF CITY USA® mark. The Bureau denies the remaining allegations of Paragraph 26.

27. The Bureau admits that it will be damaged by Flotsam's continued use of the SURF CITY USA® mark. The Bureau admits that Flotsam purports that an actual dispute exists between the parties as it relates to such mark, but on information and belief such dispute is being maintained by third parties. The Bureau denies the remaining allegations of Paragraph 27.

28. Deny.

ANSWER TO FIRST CLAIM FOR RELIEF
Declaratory Relief—Non-Infringement of Trademark
Cal. Bus. & Prof. Code § 14335 et seq.

29. Responding to Paragraph 29, the Bureau incorporates its responses to paragraphs 1 through 28 above.

30. Deny.

31. Deny.

32. The Bureau admits that it claims Flotsam has infringed its registered trademarks. The Bureau denies the remaining allegations of Paragraph 32.

///

///

33. The Bureau admits that Flotsam purports that an actual controversy exists between the parties, but on information and belief such dispute is being maintained by third parties.

34. Deny.

ANSWER TO SECOND CLAIM FOR RELIEF
Declaratory Relief—Non-Infringement of Alleged Trademark
Under 15 U.S.C. § 1125(a)—Common Law Trademark

35. Responding to Paragraph 35, the Bureau incorporates its responses to Paragraphs 1 through 34 above.

36. The Bureau admits that it claims Flotsam has infringed its registered trademarks. The Bureau denies the remaining allegations of Paragraph 36.

37. Deny.

38. The Bureau admits that Flotsam purports that an actual controversy exists between the parties, but on information and belief such dispute is being maintained by third parties.

39. Deny.

ANSWER TO THIRD CLAIM FOR RELIEF
Unfair Competition—Cal. Bus. & Prof. Code § 17200 *et seq.*

40. Responding to Paragraph 40, the Bureau incorporates its responses to Paragraphs 1 through 39 above.

41. Deny.

42. Deny.

43. Deny.

44. Deny.

ANSWER TO FOURTH CLAIM FOR RELIEF
Unfair Competition—California Common Law

45. Responding to Paragraph 45, the Bureau incorporates its responses to Paragraphs 1 through 44 above.

46. Deny.

47. Deny.

48. Deny.

ANSWER TO FIFTH CLAIM FOR RELIEF
Cancellation of Fraudulently Obtained Trademark Registrations and
Denial of Pending Trademark Applications
15 U.S.C. § 1119

49. Responding to Paragraph 49, the Bureau incorporates its responses to Paragraphs 1 through 48 above.

50. Admit.

51. Deny.

52. Deny.

AFFIRMATIVE DEFENSES

First Affirmative Defense

The FAC fails to state a cause of action upon which relief may be granted.

Second Affirmative Defense

Flotsam's contentions in the FAC are or may be barred by unclean hands, specifically without limitation Flotsam's failure to undertake due diligence and reasonable enquiry before filing allegations.

Third Affirmative Defense

By its acts and conduct, Flotsam has waived its claims asserted against the Bureau.

Fourth Affirmative Defense

The Bureau's rights to the SURF CITY USA® mark are superior to those of Flotsam as the Bureau is the senior user of the marks, and owner of senior Registration Nos. 3,140,635; 3,091,711; 3,088,922 and 3,088,921.

Fifth Affirmative Defense

Flotsam will not be damaged by the continued registration of U.S. Registration Nos. 3,140,635, 3,091,711, 3,088,922 and 3,088,921, or by registration of U.S. Trademark Application Serial Nos. 78/545,730; 78/705,827; 78/966,644; 78/545,796; 78/545,776; 78/545,717; 78/518,984 and 77/010,025.

///

///

Sixth Affirmative Defense

The Bureau's SURF CITY USA® marks have obtained secondary meaning in the minds of the relevant consuming public which associates the SURF CITY USA marks with the Bureau, with Southern California beach culture in general, and with Huntington Beach, California in particular.

Seventh Affirmative Defense

The Bureau obtained its U.S. Registration Nos. 3,140,635; 3,091,711; 3,088,922 and 3,088,921 for the mark SURF CITY USA®, and made its applications for U.S. Trademark Application Serial Nos. 78/545,730; 78/705,827; 78/966,644; 78/545,796; 78/545,776; 78/545,717; 78/518,984 and 77/010,025, in good faith and in accordance with all applicable laws, requirements and regulations.

Eighth Affirmative Defense

The Bureau's first use of its SURF CITY USA® mark pre-dates Flotsam's first use of the SURF CITY USA® mark in conjunction with the phrase SANTA CRUZ CALIFORNIA. Flotsam is thus barred from bringing its FAC.

Ninth Affirmative Defense

On information and belief, Flotsam has violated Federal Rule of Civil Procedure 11, in submitting allegations in its FAC which a reasonable enquiry would lead Flotsam to know were not true.

PRAYER FOR RELIEF

WHEREFORE, having responded to the FAC presented by Flotsam, the Bureau requests that this Court:

1. Deny any and all relief sought by Flotsam;
2. Enter judgment in favor of the Bureau on each and every claim of relief asserted in the FAC;
3. Declare that Flotsam has infringed the Bureau's rights in the mark SURF CITY USA®.

4. Declare that the Bureau's U.S. Registrations Nos. 3,140,635; 3,091,711; 3,088,922 and 3,088,921 are valid and enforceable;

5. Declare that the Bureau's U.S. Trademark Application Serial Nos. 78/545,730; 78/705,827; 78/966,644; 78/545,796; 78/545,776; 78/545,717; 78/518,984 and 77/010,025 should not be denied registration in the U.S. Patent and Trademark Office.

6. Declare that the Bureau shall not be enjoined in any manner;

7. Declare this case to be "exceptional" under 15 U.S.C. § 1117(a) and award the Bureau its attorneys' fees and costs incurred in defense of Flotsam's FAC;

8. Award the Bureau its costs of suit and attorney's fees under all other applicable laws; and

9. Award such other and further relief as the Court in its discretion deems appropriate.

DEMAND FOR JURY TRIAL

Pursuant to federal Rule of Civil Procedure 38(b), the Bureau requests trial by jury on all issues triable to a jury in this action.

Dated: February 12, 2007

GORDON & REES LLP

by /s/ Richard P. Sybert

Richard P. Sybert

rsybert@gordonrees.com

Attorneys for Defendant/Counterclaimant
HUNTINGTON BEACH CONFERENCE
AND VISITORS BUREAU

COUNTERCLAIMS

As Counterclaims against Plaintiff and Counterdefendant Flotsam of California, Inc., dba Noland's on the Wharf and Shoreline Shop ("Flotsam"), Defendant and Counterclaimant Huntington Beach Conference and Visitors Bureau ("Bureau") alleges as follows:

THE PARTIES

1. Defendant/Counterclaimant, Huntington Beach Conference and Visitors Bureau is a corporation organized and existing under the laws of the State of California, and having its principal place of business at 301 Main Street, Suite 208, Huntington Beach, California, 92648.

2. On information and belief, Plaintiff/Counterdefendant Flotsam is a corporation organized and existing under the laws of the State of California, and having its principal place of business at 415 Spring Street, Santa Cruz, California.

JURISDICTION AND VENUE

3. Jurisdiction for all counterclaims herein arises under 28 U.S.C. § § 1338 and 1367(a) and/or 15 U.S.C. § 1121(a). Without waiving the Bureau's objection to venue in the Northern District of California over the Complaint herein, venue is proper under 28 U.S.C. § 1391(b).

FACTUAL BACKGROUND

4. The Bureau filed its first registration of the SURF CITY USA® brand in November 2004, after the concept was proposed during the Bureau's brand discovery workshop.

5. The SURF CITY USA® brand was designed to evoke the Southern California beach culture and the Huntington Beach lifestyle. Its connotation captures the romance of the beach, surfing, and the relaxed, "laid back" lifestyle of Southern California beach towns best exemplified by Huntington Beach as celebrated, *inter alia*, by the famous 1960s generational anthem "Surf City" by Jan and Dean. SURF CITY USA® transcends all races, political views, and cultures, and celebrates the spirit of youth and living each moment to the fullest, here and now.

6. The Bureau has expanded its branding program to include seven (7) trademark registrations of the SURF CITY USA® brand for various categories of goods and services.

Gordon & Rees LLP
101 West Broadway, Suite 2000
San Diego, CA 92101

1 Attached as Exhibit A are copies of the Bureau's trademark registrations obtained from the
2 United States Patent and Trademark Office online database. The Bureau has an additional five
3 (5) applications for further trademark registrations of its SURF CITY USA® brand in other
4 categories of goods and services. Attached as Exhibit B are copies of the Bureau's pending
5 trademark applications, also from the U.S.P.T.O. online database, currently under review by the
6 United States Patent and Trademark Office.

7 7. In addition, the Bureau enjoys common law rights in the SURF CITY USA™
8 brand and logo.

9 8. Since at least as early as its initial registration of its SURF CITY USA® brand,
10 the Bureau has developed a careful monitoring and licensing program to promote and protect the
11 brand.

12 9. Many merchants in the Huntington Beach area, believing the SURF CITY USA®
13 brand is capable of distinguishing and promoting their goods through a positive association with
14 the Bureau and with Huntington Beach, have licensed the right to use the brand on their goods.
15 Attached as Exhibit C is a list of current SURF CITY USA® licensees and license affiliates.

16 10. Licensees of the SURF CITY USA® brand follow very specific usage guidelines
17 when using the brand logo in any way, including guidelines as to colors, proportions, placement
18 of the logo, and size. Attached as Exhibit D is a copy of the Bureau's SURF CITY USA®
19 "Brand Signature Styleguide."

20 11. The Bureau carefully monitors unauthorized usage of its SURF CITY USA®
21 brand both through in-house monitoring as well as through the retention of external brand
22 monitoring.

23 12. The SURF CITY USA® brand has become associated with goods and services of
24 Huntington Beach through the licensed use of the brand by merchants in the Huntington Beach
25 and surrounding areas.

26 13. The Bureau has derived positive publicity as well as revenue for the city through
27 its SURF CITY USA® branding and licensing program.
28

1 14. The Bureau first became aware of Flotsam's unauthorized use of the mark on or
2 about August 2006. Specifically, the Bureau learned that Flotsam was selling T-shirts bearing an
3 infringing and confusingly similar mark incorporating the Bureau's exact trademark, SURF
4 CITY USA.® Attached as Exhibit E is a copy of the confusingly similar mark used by Flotsam
5 on its infringing T-shirts. An ordinary consumer will read and interpret said mark as "Surf City
6 USA / Santa Cruz, California USA" rather than "Surf City Santa Cruz California USA" as
7 claimed by Flotsam, although the latter may still constitute infringing use.

8 15. The Bureau sent Flotsam a "cease and desist" letter, asking Flotsam to stop its
9 unauthorized distribution of T-shirts bearing the infringing logo.

10 16. In response, Flotsam purported that it would cease and desist such use, and the
11 Bureau reasonably believed that Flotsam was voluntarily and amicably in the process of reaching
12 a resolution or compromise with the Bureau.

13 17. In reality, on information and belief, Flotsam surreptitiously and intentionally
14 took steps to increase and augment its infringement. The Bureau subsequently learned that
15 Flotsam ordered hundreds of additional T-shirts bearing the infringing logo, many times more
16 than the original order, and sold them, *inter alia*, online using the dispute with the Bureau to
17 promote such sales. On information and belief, Flotsam prior had ordered or sold approximately
18 300 infringing T-shirts, and subsequent to the dispute, ordered and sold an additional 1,800 shirts.

19 18. Flotsam subsequently filed the instant lawsuit against the Bureau, a non-profit
20 organization.

21 19. Flotsam is not authorized to use the Bureau's registered or common law
22 trademarks in any form or format.

23 20. "Surf City USA" is not a descriptive term for any goods or services and is not
24 geographically descriptive.

25 21. The Bureau's SURF CITY USA® registered and SURF CITY USA™ common
26 law trademarks, if descriptive or geographically descriptive, have achieved secondary meaning
27 through the Bureau's extensive use and promotion of the marks.

28 ///

22. Flotsam has offered, and on information and belief, continues to offer, products, such as T-shirts, under the phrases “Surf City USA.” On information and belief, Flotsam has made such offers in interstate commerce and in the state of California.

23. On information and belief, Flotsam has advertised, and continues to advertise, in interstate commerce and in the State of California, its products under the phrase “Surf City” and/or “Surf City USA.”

24. Flotsam has intentionally infringed the SURF CITY USA® registered and SURF CITY USA™ common law trademarks through the sale and offer for sale of unauthorized, counterfeit products. Specifically, but not limited to, Flotsam continued to sell “Surf City USA” goods after being notified by the Bureau of its infringing acts and after agreeing to cease selling the infringing goods.

FIRST COUNTERCLAIM

Infringement and Counterfeiting of a Registered Trademark Under 15 U.S.C. § 1114

25. This First Counterclaim arises under 15 U.S.C. § 1114.

27. The Bureau repeats and realleges the allegations contained in Paragraphs 1 through 24 above.

27. Flotsam’s use of the mark and/or phrases “Surf City” and/or “Surf City USA” has caused and continues to cause a likelihood of confusion, in violation of Section 32 of the Lanham Act, 15 U.S.C. § 1114 and as such infringes the Bureau’s federally registered SURF CITY USA® mark. These acts of trademark infringement are continuing.

28. Flotsam’s use of the phrase “Surf City” and/or “Surf City USA” in interstate commerce is an act of trademark counterfeiting of the Bureau’s registered SURF CITY USA® marks. These acts of trademark counterfeiting are continuing.

29. Flotsam has been unjustly enriched by these acts of trademark infringement and counterfeiting.

30. Flotsam’s acts of trademark infringement and counterfeiting have damaged and continue to damage the Bureau, causing irreparable harm, for which there is no adequate remedy at law.

40. Such unlawful acts and damage will continue to occur unless enjoined by this Court.

THIRD COUNTERCLAIM

Trademark Dilution Under 15 U.S.C. § 1125(c)

41. This Third Counterclaim arises under Section 43(c) of the Lanham Act, 15 U.S.C. § 1125(c).

42. The Bureau repeats and realleges the allegations contained in Paragraphs 1 through 40 above.

43. SURF CITY USA® is a famous mark by virtue, *inter alia*, of the 1960s beach anthem, “Surf City” by Jan and Dean, which celebrated Southern California beach culture in general and Huntington Beach, California in particular.

44. Flotsam's infringing use of SURF CITY USA® began after that mark became famous, and has caused and causes dilution of the distinctive quality of that mark. On information and belief, Flotsam willfully intended to trade on the owner's reputation or to cause dilution of the famous mark.

FOURTH COUNTERCLAIM

Common Law Trademark Infringement

45. This Fourth Counterclaim arises under the common law.

46. The Bureau repeats and realleges the allegations contained in Paragraphs 1 through 44 above.

47. Flotsam's actions in designing, manufacturing, packaging, selling, or distributing goods under the "Surf City USA" mark, without consent of the Bureau, constitutes false designation of origin and trademark infringement of the SURF CITY USA™ common law trademark, and has caused and continues to cause a likelihood of confusion, mistake, and deception as to source, sponsorship, affiliation, and/or connection in the minds of the public.

48. Flotsam's actions in designing, manufacturing, packaging, selling, or distributing goods under the "Surf City" mark, without consent of the Bureau, constitutes false designation of origin and trademark infringement, and has caused and continues to cause a likelihood of

1 confusion, mistake, and deception as to source, sponsorship, affiliation, and/or connection in the
2 minds of the public.

3 49. Flotsam has been unjustly enriched by these acts of trademark infringement.

4 50. Flotsam's acts of trademark infringement have been willful, knowing, intentional,
5 and wanton, entitling the Bureau to damages, treble damages, profits, attorney's fees, and the
6 costs of this action.

7 51. Flotsam's acts of trademark infringement have damaged and continue to damage
8 the Bureau, causing irreparable harm for which there is no adequate remedy at law.

9 52. Such unlawful acts and damage will continue to occur unless enjoined by this
10 Court.

11 FIFTH COUNTERCLAIM

12 Unfair Competition Pursuant to Cal. Bus. & Prof. Code § 17200 et seq.

13 53. This Fifth Counterclaim arises under Cal. Bus. & Prof. Code § 17200 *et seq.*

14 54. The Bureau repeats and realleges the allegations contained in Paragraphs 1
15 through 52 above.

16 55. California Business and Professions Code Section 17200 provides that unfair
17 competition means and includes "any unlawful, unfair or fraudulent business act or practice and
18 unfair, deceptive, untrue or misleading advertising."

19 56. By and through Flotsam's conduct, including the conduct detailed above, Flotsam
20 has engaged in activities that constitute unlawful, unfair, and fraudulent business practices
21 prohibited by Business and Professions Code Section 17200 *et seq.*

22 57. Flotsam's acts of trademark infringement and counterfeiting, as alleged above,
23 constitute unfair competition actionable under the laws of the State of California as unlawful
24 business acts or practices in that, *inter alia*, said acts violate the federal Lanham Act, 15 U.S.C.
25 § 1051 *et seq.*. Specifically without limitation, Flotsam's actions of designing, manufacturing,
26 packaging, selling, distributing, and/or offering for sale in interstate commerce "Surf City USA"
27 or "Surf City" goods, without consent of the Bureau, has caused and continues to cause a
28 likelihood of confusion, mistake, and deception in the minds of the public. Flotsam's actions

Gordon & Rees LLP
101 West Broadway, Suite 2000
San Diego, CA 92101

1 constitute palming off, false designation of origin, false description, false representation,
2 misappropriation, and infringement of the Bureau's trademarks, specifically the Bureau's SURF
3 CITY USA® federally registered trademarks and SURF CITY USA™ common law trademark.

4 58. Flotsam's acts of trademark infringement as alleged above constitute unfair
5 competition actionable under the laws of the State of California as fraudulent business acts or
6 practices, in that, *inter alia*, said acts are likely to confuse the public as to the origin of their
7 infringing goods.

8 59. Flotsam's acts of trademark infringement as alleged above constitute unfair
9 competition actionable under the laws of the State of California as deceptive and false
10 advertising, in that, *inter alia*, said acts are likely to cause confusion, mistake, and deception.

11 60. Such acts and omissions described above are unlawful and/or unfair and/or
12 fraudulent and/or deceptive and/or misleading and/or untrue and constitute a violation of
13 Business & Professions Code § 17200 *et seq.* the Bureau reserves the right to identify additional
14 violations by Flotsam as may be established through discovery.

15 61. As a result of Flotsam's said acts of unfair competition, the Bureau has suffered
16 and will continue to suffer irreparable harm, and the Bureau has no adequate remedy at law with
17 respect to this injury. Unless the acts of unfair competition are enjoined by this Court, the
18 Bureau will continue to suffer irreparable harm.

19 62. As a direct and legal result of Flotsam's unlawful, unfair, and fraudulent conduct
20 described above, Flotsam has been and will be unjustly enriched with ill-gotten gains.

21 SIXTH COUNTERCLAIM

22 Trademark Infringement Pursuant to Cal. Bus. & Prof. Code § 14335 and § 14340

23 63. This Sixth Counterclaim arises under the Cal. Bus. & Prof. Code § 14335 and
24 § 14340.

25 64. The Bureau repeats and realleges the allegations contained in Paragraphs 1
26 through 62 above.

27 65. Flotsam's actions in designing, manufacturing, packaging, selling, or distributing
28 goods under the "Surf City USA" and/or "Surf City" marks, without consent of the Bureau,

1 constitutes false designation of origin and trademark infringement of the SURF CITY USA®
 2 registered trademarks, and has caused and continues to cause a likelihood of confusion, mistake,
 3 and deception as to source, sponsorship, affiliation, and/or connection in the minds of the public.

4 66. Flotsam's actions in designing, manufacturing, packaging, selling, or distributing
 5 goods under the "Surf City USA" and/or "Surf City" marks, without consent of the Bureau,
 6 constitutes trademark infringement, and has caused and continues to cause a likelihood of
 7 confusion, mistake, and deception as to source, sponsorship, affiliation, and/or connection in the
 8 minds of the public.

9 67. Flotsam has been unjustly enriched by these acts of trademark infringement and
 10 counterfeiting.

11 68. Flotsam's acts of trademark infringement and counterfeiting have been willful,
 12 knowing, intentional, and wanton.

13 69. Flotsam's acts of trademark infringement and counterfeiting have damaged and
 14 continue to damage the Bureau, causing irreparable harm for which there is no adequate remedy
 15 at law.

16 70. Such unlawful acts and damage will continue to occur unless enjoined by this
 17 Court.

18
 19 WHEREFORE, THE BUREAU prays the Court grant relief as follows:

20 1. General damages according to proof;

21 2. Actual damages for Flotsam's acts of trademark infringement in violation of 15
 22 U.S.C. § 1114, pursuant to 15 U.S.C. § 1117(a);

23 3. An accounting for Flotsam's profits for Flotsam's acts of false designation of
 24 origin, trademark infringement, false description, and false representation in violation of 15
 25 U.S.C. § 1125(a), pursuant to 15 U.S.C. § 1117(a);

26 4. Disgorgement of all Flotsam's profits and restitution made under Cal. Bus. &
 27 Prof. Code § 17200 et seq.;

28 5. A trebling of actual damages pursuant to 15 U.S.C. § 1117(a) and (b);

Gordon & Rees LLP
101 West Broadway, Suite 2000
San Diego, CA 92101

6. Award of a trebling of Flotsam's profits pursuant to 15 U.S.C. § 1117(a) and (b);
7. Statutory damages of \$1,000,000 for willful use of a counterfeit mark pursuant to 15 U.S.C. § 1117(c)(2);
8. Injunctive relief and damages for Flotsam's intentional dilution of a famous mark, pursuant to 15 U.S.C. § 1125(c);
9. Punitive damages for intentional and willful acts;
10. A permanent injunction enjoining further acts of trademark infringement false designation of origin,, false description, or false representation pursuant to 15 U.S.C. § 1116 and the common law;
11. A permanent injunction enjoining further acts of unfair competition pursuant to Cal. Bus. & Prof. Code § 17203;
12. A permanent injunction enjoining further acts of infringement of registered trademark pursuant to Cal. Bus. & Prof. Code § 14335;
13. An order for the seizure, forfeiture and destruction of all goods bearing the counterfeited mark "SURF CITY USA" pursuant to 15 U.S.C. § 1118 and Cal. Bus. & Prof. Code § 14340;
14. An award of attorney's fees pursuant to 15 U.S.C. § 1117(a)(b);
15. An award of costs; and
16. Such other and further relief that this Court deems just and appropriate.

Dated: February 12, 2007

GORDON & REES LLP

by /s/ Richard P. Sybert
Richard P. Sybert
rsybert@gordonrees.com
Attorneys for Defendant/Counterclaimant
HUNTINGTON BEACH CONFERENCE
AND VISITORS BUREAU

DEMAND FOR JURY TRIAL

Pursuant to Fed.R.Civ.P. 38(b), Counterclaimant Huntington Beach Conference and Visitors Bureau demands a jury trial on all issues triable to a jury.

Dated: February 12, 2007

GORDON & REES LLP

by /s/ Richard P. Sybert

Richard P. Sybert

rsybert@gordonrees.com

Attorneys for Defendant/Counterclaimant
HUNTINGTON BEACH CONFERENCE
AND VISITORS BUREAU

Gordon & Rees LLP
101 West Broadway, Suite 2000
San Diego, CA 92101

CERTIFICATE OF SERVICE

I hereby certify that on February 12, 2007, I electronically filed the following documents with the Clerk of the Court using the CM/ECF System:

- (1) **DEFENDANT'S ANSWER TO FIRST AMENDED COMPLAINT;**
(2) **COUNTERCLAIMS FOR:**
TRADEMARK INFRINGEMENT (15 U.S.C. § 1114);
FALSE DESIGNATION OF ORIGIN (15 U.S.C. § 1125(a));
TRADEMARK DILUTION (15 U.S.C. § 1125(c));
COMMON LAW TRADEMARK INFRINGEMENT;
STATE LAW UNFAIR COMPETITION (CAL. B.&P.C. § 17200);
STATE LAW TRADEMARK INFRINGEMENT (CAL. B.&P.C. § § 14335, 14340);
(3) **DEMAND FOR JURY TRIAL [Fed.R.Civ.Pro. 38(b)]**

This will send notification of such filing to the following:

TOWNSEND AND TOWNSEND AND CREW
LLP
Theodore T. Herhold, Esq.
Anthony J. Malutta, Esq.
379 Lytton Avenue
Palo Alto, CA 94301
Tel: 650/326-2400
Facsimile: 650/326-2422
ttherhold@townsend.com

And I hereby certify that I have mailed by United States Mail Postal Service the document to the following non-CM/ECF participants:

N/A.

/s/Sharee L. Gill
Sharee L. Gill
Sgill@gordonrees.com
GORDON & REES LLP
101 West Broadway, Suite 1600
San Diego, CA 92101
Telephone: 619-696-6700
Facsimile: 619-696-7124